

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name AuGres – Sims Police Board	County Arenac County
Audit Date 6/30/05	Opinion Date 7/12/05	Date Accountant Report Submitted to State: 9/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature 			

AU GRES-SIMS POLICE BOARD

Au Gres, Michigan

Annual Financial Statements

and

Auditors' Report

June 30, 2005

Table of Contents

<u>Section</u>		<u>Page</u>
1	List of Elected and Appointed Officials	1 – 1
2	Independent Auditor's Report	2 – 1
3	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Assets	3 – 1
	Statement of Activities	3 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	3 – 3
	Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 4
	Notes to Financial Statements	3 – 5
4	Required Supplemental Information	
	Budgetary Comparison Schedule	
	General Fund	4 – 1

Au Gres-Sims Police Board
List of Elected and Appointed Officials
June 30, 2005

POLICE BOARD

JOSEPH WARR

CHAIRMAN

THOMAS ENNES

VICE CHAIRMAN

STEVE PAYNE

SECRETARY

ERIC MALISKY

TREASURER



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Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
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Independent Auditors' Report

Members of the Police Board
Au Gres-Sims Police Board
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities of Au Gres-Sims Police Board as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Au Gres-Sims Police Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Au Gres-Sims Police Board as of June 30, 2005 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Au Gres-Sims Police Board has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan

July 12, 2005

Au Gres-Sims Police Board
Statement of Net Assets
June 30, 2005

	Primary Governmental Activities
Assets	
Cash and cash equivalents	\$ 18,320
Capital assets - net	<u>29,200</u>
 Total assets	 <u>47,520</u>
 Liabilities	
Accounts payable	<u>15,672</u>
 Net Assets	
Invested in capital assets	29,200
Unrestricted	<u>2,648</u>
 Total net assets	 <u><u>\$ 31,848</u></u>

See Accompanying Notes to Financial Statements

Au Gres-Sims Police Board
Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and
	Expenses	Charges for	Operating	Capital	Changes in Net Assets
		Services	Grants and	Grants and	Total
			Contributions	Contributions	Governmental
					Activities
Primary government					
Governmental activities					
Public safety	\$ 149,906	\$ 149,000	\$ -	\$ -	\$ (906)
Total primary governmental activities	149,906	149,000	-	-	(906)
General revenues					
Unrestricted investment earnings					88
Miscellaneous					560
Total general revenues and transfers					648
Change in net assets					(258)
Net assets - beginning					32,106
Net assets - ending					\$ 31,848

See Accompanying Notes to Financial Statements

Au Gres-Sims Police Board
Balance Sheet - Governmental Funds
June 30, 2005

	<u>General Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 18,320</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 15,672</u>
Fund Balance	
Designated for	
Vehicles and equipment	3,336
Unreserved	
Other undesignated	<u>(688)</u>
Total fund balance	<u>2,648</u>
Total liabilities and fund balance	<u>\$ 18,320</u>
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	
Total fund balances for governmental funds	\$ 2,648
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>29,200</u>
Net assets of governmental activities	<u>\$ 31,848</u>

Au Gres-Sims Police Board
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2005

	General Fund
Revenues	
Charges for services	\$ 149,000
Interest	88
Other revenue	560
	<u>149,648</u>
Total revenues	
Expenditures	
Current	
Public safety	143,261
Capital outlay	19,011
	<u>162,272</u>
Total expenditures	
Net change in fund balance	(12,624)
Fund balance - beginning	15,272
Fund balance - ending	<u>\$ 2,648</u>

Reconciliation of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Net change in fund balances - governmental funds \$ (12,624)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (6,645)	
Capital outlay	19,011	<u>12,366</u>

Change in net assets of governmental activities \$ (258)

See Accompanying Notes to Financial Statements

Au Gres-Sims Police Board
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Police Board is governed by a four member board which has oversight and responsibility over all activities. Based on the significance of any operational or financial relationship with the Police Board, there are no component units to be included in the Police Board's financial report.

The accounting policies of the Au Gres-Sims Police Board conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Police Board:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by

program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Au Gres-Sims Police Board

Notes to Financial Statements

June 30, 2005

The Police Board has one fund to account for all of its financial resources.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue.

Assets, liabilities and net assets or equity

Cash and investments – The Police Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Capital assets – Capital assets, which include equipment and vehicles are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Police Board's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Police Board is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The Police board prepares the proposed annual budget prior to the beginning of the next fiscal year. The proposed budget is then submitted to the City of AuGres and Sims Township for their approval.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

The general fund expenditures exceeded appropriations by \$12,624.

Au Gres-Sims Police Board
Notes to Financial Statements
June 30, 2005

NOTE 3 - DEPOSITS

State statutes and the Police Board's investment policy authorize the Police Board to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The board is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk – deposits – the bank balance was \$20,839. The entire bank balance was covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Vehicles and equipment	\$ 51,578	\$ 19,011	\$ -	\$ 70,589
Less accumulated depreciation for vehicles and equipment	<u>34,744</u>	<u>6,645</u>	<u>-</u>	<u>41,389</u>
Net capital assets being depreciated	<u>\$ 16,834</u>	<u>\$ 12,366</u>	<u>\$ -</u>	<u>\$ 29,200</u>

Depreciation expense was charged to the primary government in the amount of \$ 6,645 for the year ended June 30, 2005.

NOTE 5 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 6 - ECONOMIC DEPENDENCY

The Police Board is economically dependent on the City of Au Gres and Sims Township. Approximately 99% of total revenue came from the two local governments.

Au Gres-Sims Police Board
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual over (under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services				
City of Au Gres	\$ 71,200	\$ 71,200	\$ 74,500	\$ 3,300
Sims Township	71,200	71,200	74,500	3,300
Interest and rentals	100	100	88	(12)
Other revenue	-	-	560	560
Total revenues	<u>142,500</u>	<u>142,500</u>	<u>149,648</u>	<u>7,148</u>
Expenditures				
Current				
Liability insurance	12,650	12,650	12,330	(320)
Employee insurance	26,350	26,350	26,324	(26)
Telephone	1,400	1,400	2,583	1,183
Miscellaneous	1,000	1,000	1,341	341
Supplies	500	500	707	207
Repair and maintenance	1,400	1,400	3,834	2,434
Gasoline	3,700	3,700	4,710	1,010
Legal fees	1,000	1,000	288	(712)
Wages	69,000	69,000	68,936	(64)
Payroll taxes	6,500	6,500	7,846	1,346
Retirement	9,500	9,500	9,452	(48)
Professional services	4,500	4,500	4,910	410
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>19,011</u>	<u>14,011</u>
Total expenditures	<u>142,500</u>	<u>142,500</u>	<u>162,272</u>	<u>19,772</u>
Net change in fund balance	-	-	(12,624)	(12,624)
Fund balance - beginning	<u>15,272</u>	<u>15,272</u>	<u>15,272</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,272</u>	<u>\$ 15,272</u>	<u>\$ 2,648</u>	<u>\$ (12,624)</u>

Note: Ending fund balance consists of \$3,336 for vehicles and equipment and a short fall of \$688 for operations.



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July 12, 2005

To the Police Board
Au Gres-Sims Police Board
Au Gres, Michigan

In planning and performing our audit of the financial statements of Au Gres – Sims Police Board for the year ended June 30, 2005, we considered the Police Board's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our engagement, we became aware of some items that offer an opportunity to strengthen internal controls and operating efficiency. We would like to share these matters with you and offer our recommendation.

It was noted during the audit that the monthly bank reconciliation is done in the computer system but no copy is printed out and attached to the bank statement. We would recommend that the reconciliation report be kept for each month. This provides management a reference to exactly what is outstanding at the end of each month and enables them to follow up on any unusual outstanding items.

We noted during the audit that it is not policy to cancel invoices once they have been paid. It is our recommendation that once an invoice has been paid that the check number used to pay the invoice should be written on the invoice as well as the date the check was issued as documentation that the expense has been paid. This will prevent paying an invoice twice.

This report is intended solely for the use of management and should not be used for any other purpose.

We appreciate the opportunity to provide services to the Police Board. Should you have any questions on the above, please feel free to contact us.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants

Mari McKenzie